



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0289581

APPLICATION OF WARD-BROWN PARTNERS, LLC TO CONSIDER APPROVAL OF A QUALIFIED SUBDIVISION PURSUANT TO STATEWIDE RULE 76 FOR A 37.255 ACRE TRACT IN THE THOMAS CRESAP SURVEY, A-369, FORT BEND COUNTY, TEXAS.

APPEARANCES:

FOR APPLICANT:

| | |
|---------------------------------------|--------------------------|
| Patrick F. Thompson, Attorney | Ward-Brown Partners, LLC |
| David Ward | “ |
| Donna K. Chandler, Petroleum Engineer | “ |

FOR PROTESTANT :

| | |
|--------------------------------------|------------------------|
| Clark Jobe, Attorney | Hilcorp Energy Company |
| William B. Hayenga, Attorney | “ |
| Donald Spicer, Division Landman | “ |
| Mike Wuensche, Field/Surface Landman | “ |
| Matthew D. Dangel, P.E. | “ |
| Rick Smith, Geologist | “ |
| Charles Amalfi, Drilling Engineer | “ |
| Justin Furnace | “ |

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

| | |
|---------------------------|--|
| APPLICATION FILED: | June 3, 2014 |
| NOTICE OF HEARING: | June 12, 2014 |
| DATE CASE HEARD: | August 13, 2014 |
| HEARING CLOSED: | August 13, 2014 |
| EXAMINERS: | Marshall Enquist, Hearings Examiner Karl Caldwell, Technical Examiner |
| PFD PREPARED BY: | Marshall Enquist, Hearings Examiner |

CURRENT STATUS:
PFD CIRCULATION DATE:

Contested
March 6, 2014

STATEMENT OF THE CASE

Ward-Brown Partners, LLC ("Ward-Brown" or "Applicant") seeks approval of a proposed qualified subdivision pursuant to Statewide Rule 76¹ for a 37.255 acre tract of land in Fort Bend County, Texas. Ward-Brown appeared at hearing on August 13, 2014 and presented argument and evidence. In order to protect the rights of mineral owners, Ward-Brown has placed a two-acre operations site, with two thirty foot access easements, in the approximate middle of its proposed qualified subdivision. The two-acre operations site includes the existing Hilcorp Well No. 52 in Hilcorp's Katy Gas Field Unit #2 ("KGFU#2"). Protestant Hilcorp Energy Company ("Hilcorp" or "Protestant") appeared and presented argument and evidence. Hilcorp represents that it must have a 5.05 acre operations site to drill five wells which will be necessary to fully develop the minerals beneath and in the vicinity of the proposed Ward-Brown qualified subdivision.

Based on the evidence presented at the hearing and the Findings of Fact and Conclusions of law contained within this Proposal for Decision (PFD), the Examiners conclude that the proposed qualified subdivision fails to meet the requirements of Statewide Rule 76. The Examiners recommend Ward-Brown's application be denied, as set out in the attached Final Order.

DISCUSSION OF THE EVIDENCE

Applicant Ward-Brown Partners, LLC

Ward-Brown presented a plat showing the layout of its proposed 37.255-acre Qualified Subdivision (see Attachment I). The plat shows a two-acre operations site roughly in the middle of the tract. There are two access easements, a 0.65-acre access easement thirty feet wide running north to the access road for Interstate 10 and a second 0.42-acre access easement thirty feet wide running southwest to the corner of the tract. The two-acre operations site includes the existing Hilcorp Well No. W-52 (API No. 157-31143).

Development in the Katy field began in the late 1930s. In the general area of the Proposed Qualified Subdivision, the earliest well was probably drilled in the 1950s, with subsequent development in the Yegua and Wilcox fields. Within a 2 ½ mile radius of the proposed subdivision, Ward-Brown found 124 wells that had been drilled. Within the 2 ½ mile radius of review, wells have produced from sixteen fields: the Chocolate Bayou (Ho. Fms. Up.) Field, Katy (Combined) Field, Katy (First Wilcox) Field, Katy (I-A) Field, Katy (I-B) Field, Katy (I-C) Field, Katy (II-A-L) Field, Katy (II-A U) Field, Katy (II-B) Field, Katy (II-C) Field, Katy (III-A) Field, Katy (IV) Field, Katy (V) Field, Katy (Wilcox 10,200 Seg. 4) Field, Katy (Wilcox Cons.) Field and the Liberty, South

¹ 16 Tex. Admin. Code §3.76 (Commission Approval of Plats for Mineral Development)

Field.

Of the 124 wells, there remain 30 active producers in that area. The 30 active producers are in the Katy (Wilcox Cons.) Field, the Katy (II-A L) Field and the Katy (I-B) Field, with the majority of the wells (26) being in the Katy (Wilcox Cons.) Field. The Katy (Wilcox Cons.) Field was consolidated in 2004, with an interval from 9,916 feet to 12,960 feet.

There are two wells located on the proposed subdivision. The Katy Gas Field Unit #2 Well No. W52 (KGFU #2 Well No. 52) is actively producing from the Katy (Wilcox Cons.) Field and is operated by Hilcorp. The J.A. Bartlett Well No. 2 was last operated by Apache and is currently plugged.

Nine drilling permits have been filed by Hilcorp in Waller County since January of 2013. Eight permits were for recompletions and one permit was for a new drill well. Hilcorp is primarily recompleting existing wells. Some individual wells have had as many as five or seven recompletions. Ward-Brown's expert witness opined that a 2-acre operations site on the proposed subdivision, with its two access easements, was sufficient to accommodate a workover rig for the existing well should it require recompletion. The expert also indicated that two acres would be sufficient to accommodate a fracking operation. Ward-Brown's expert saw nothing indicating the operations site on a proposed subdivision of 37.255 acres would need to be larger than 2 acres.

Q: (Ward-Brown counsel Patrick Thompson) Have you seen in the work that you did any indication that operators in this area are investing in horizontal drilling or fracking to increase production from this reservoir?

A: (Expert Witness Donna Chandler) I have not – seen no evidence of that. I haven't seen any horizontal wells within the 2 ½ mile radius, only a couple of directional wells.

Q: So, would you say that the operation site for this proposed qualified subdivision needs to include sufficient acreage to accommodate a fracking operation?

A: It's my opinion that it would not need more than 2 acres.

Q: The type of workover rigs that are typically used to recomplete a well of this type, do these require a lot of acreage to operate?

A: A workover rig should not require more than 2 acres, certainly not as much as a drilling rig that was going to drill a deep well or horizontal well.

Ward-Brown elicited testimony that its expert had seen nothing in the general area indicating the need for an operations site over two acres.

Q: In your review of the mineral development in this area, have you seen anything that would cause you to believe that an operations unit on a qualified subdivision in this area would need to be more than two acres in size?

A: No, I have not.

[Transcript, page 28, lines 17-22]

Ward-Brown notes that the current census estimate for Fort Bend County is 652,365 and the actual population in 2010 was 585,375. This is well in excess of the county population of 400,000 required to qualify under Statewide Rule 76. Ward-Brown also indicates it has the authority to represent all surface owners of the proposed subdivision.

It is Ward-Brown's assertion that the property has been technically subdivided. ABC Rentals is located on the 5.793 acre tract on the northeast corner of the plat labeled Hendricks Commercial Properties, LLC. As to the current size of the tract, "...in terms of future development, this tract is – is in the situation that many of the Rule 76 applications have been in at the Commission to date and that is that the – it would have been putting the cart before the horse to actually go ahead and – and subdivide with the county all of the various portions of the acreage prior to getting the issue settled how much acreage is going to have to be devoted to an operations site. And I just note that it's been previously ruled in Rule 76 cases that – that to subdivide the property for future development subsequent to the Railroad Commission approval meets the qualifications and requirements of Rule 76 and Chapter 92." [Transcript, page 30, lines 14-25, page 31, lines 1-2.]

As support for this contention, Ward-Brown cites Oil and Gas Docket Nos. 04-0246645 and 04-0246646², the applications of Betty Eyhorn, for the proposition that a tract becomes a qualified subdivision, according to statute, when the plat is filed with the county. "What the Railroad Commission does is clear a hurdle for the applicant in terms of approving the plat with respect to the designation of the operation site. So, as long as the property is properly subdivided prior to the filing of the plat, it meets the qualifications under Chapter 92 for a qualified subdivision." (Transcript, page 32, lines 1-8.)

² Oil & Gas Docket No. 04-0246645: Application of Betty Eyhorn to Consider Approval of a Qualified Subdivision Pursuant to Statewide Rule 76 for the Eyhorn Subdivision No. 1, Hidalgo County, Texas.

Oil & Gas Docket No. 04-0246646: Application of Betty Eyhorn to Consider Approval of a Qualified Subdivision Pursuant to Statewide Rule 76 for the Eyhorn Subdivision No. 2, Hidalgo County, Texas.

Protestant Hilcorp Energy Company

In March, 2013, Hilcorp acquired the Katy Gas Field Unit #2 ("KGFU #2") and the included Katy Gas Field Unit #1 ("KGFU #1"). The Katy Gas Field Unit #2 is a very large unit that encompasses 20,550 acres. It includes the site of the proposed qualified subdivision.

Hilcorp presented the log of Well No. 46 in the Katy Gas Field Unit No. 1, which is roughly 8,000 feet west-northwest of the Ward-Brown tract. The well has a total depth of about 15,800 feet, demonstrating the presence of numerous Wilcox sand intervals from about 10,000 feet to 15,800 feet. Based on a test Exxon conducted in 1969 on the KGFU#1 Well No. 31, about 3.4 miles northwest of the proposed qualified subdivision, Hilcorp believes some of the Wilcox sands, possibly as deep as 15,800 feet, could be productive.

Well No. 52 in the KGFU#2 produces from the Wilcox 10,200 A U sand and has a total depth of 10,400 feet. Based on 22 completions in the AU sand, Hilcorp calculates the average drainage area in the Wilcox 10,200 A U sand is 30 acres. In the Wilcox 10,200 C sand, Hilcorp has seven well completions and calculates the average drainage area is 38 acres. Hilcorp believes 38 acres is appropriate for a full field development plan. These sands are tight and must be fracture stimulated to be commercially productive.

Hilcorp demonstrated that the drainage area for wells in the unit is 40 acres or less and that development of this large unit will require numerous surface use agreements and the drilling of numerous directional wells. The existing surface use agreements available to Hilcorp limit the locations available for drilling in the vicinity of the Ward-Brown tract. In addition, subsurface conditions limit the reach of directional wells due to the shallower Yegua formation. The Yegua has made substantial production over the years and is now in an underpressured state, causing it to be a drilling hazard. As a result, Hilcorp believes a directional kick from a surface location to a Wilcox take point should be limited to no more than 2,000 feet laterally.

In addition to the existing KGFU#2 Well No. 52, Hilcorp asserts it must have the ability to drill at least four additional directional wells from the proposed qualified subdivision in order to completely develop the mineral resources surrounding the subdivision. Hilcorp believes that each successive wellhead must be at least 80 feet from the preceding wellhead and calculates that it will need 5.05 acres to accommodate the existing Well No. 52 plus four additional directional wells. The 2-acre operations tract proposed by Ward-Brown is insufficient to provide access to the minerals surrounding the qualified subdivision.

Hilcorp may eventually recomplete the existing KGFU#2 Well No. 52, but it cannot be recompleted to the deepest targets near 15,000 feet without a great deal of mechanical risk. The as-built wellbore has a 5-inch liner hung through the Wilcox that has been perforated and fractured in at least two areas. In order to go deeper, Hilcorp would have to re-enter with a small drill bit and even smaller tubing and then perform a multi-stage frac in multiple horizons. To more effectively access the deeper reserves, Hilcorp would need to perform a new drill making a larger diameter hole using a larger drilling rig.

Hilcorp then provided data as to the acreage required for a larger drilling rig necessary to recomplete the KGFU#2 Well No. 52. Using a rig footprint plat provided by Helmerich & Payne for a FlexRig3 drilling rig (see Attachment II), the full rig footprint adds up to approximately 370 feet by 423 feet. One of Hilcorp's expert witnesses, Mr. Dangel, noted that the Helmerich & Payne rig footprint assumed a large space for a reserve pit, which Hilcorp would not need as it planned to use a closed-loop mud system. Consequently, rather than assume a 278 foot distance from the well to the page-south boundary of the footprint, Mr. Dangel assumed a 105 foot distance, which added to the 145 foot distance from the well to the page-north boundary resulted in a 250 foot measurement for the north-south dimension. Asked to calculate the acreage required for the 360-foot by 250-foot rig print, Mr. Dangel arrived at a figure of 2.07 acres. Mr. Dangel stated "So, high level takeaway from this diagram to drill a single well with no preexisting production facilities, wellheads or any other obstructions on site, 360-foot by 250-foot pad would be required." [Transcript, page 83, lines 19-22].

However, there is a preexisting wellhead on the operations site which must be taken into consideration. Hilcorp presented the expert testimony of Mr. Charles Amalfi, senior drilling engineer and Drilling Superintendent for Hilcorp Energy. Mr. Amalfi testified that there are API standards and OSHA regulations governing distances required for the safety of rig personnel and distances from sources of ignition. Mr. Amalfi agreed with the previous testimony that a rig footprint of 2.07 acres would be sufficient, assuming proper orientation, for a new drill. In the case at hand, a new drill must account for the existing Well No. 52, which would require skidding the rig over to create an 80 foot between-well distance, for a 440-foot by 250-foot rig print. This would increase the operations site footprint to 2 ½ acres, according to Mr. Amalfi. In order to drill the four new wells Hilcorp believes are necessary to develop the mineral resources beneath and adjacent to the proposed qualified subdivision, a 5 acre operations site would be necessary.

On cross-examination of David Ward, Hilcorp established that the 37.255 acre proposed subdivision was the remnant of prior subdivisions of a 76 acre tract, but that the 37.255 acres had not yet been further subdivided. Hilcorp asserts that the Ward-Brown application is deficient and should be denied for failure to subdivide pursuant to Statewide Rule 76(a)(4)(B), which states that a Qualified Subdivision is a tract of land not more than 640 acres: "(B) that has been subdivided in a manner authorized by law by the surface owners for residential, commercial, or industrial use." Hilcorp asserts that this language necessarily means that an applicant must have provided the commission with a plat of its proposed subdivision which has already been approved by the local government entity with the authority to approve a subdivision of land. The Ward-Brown plat provided to the Commission has not been approved by a local government authority, therefore Hilcorp asserts the application is premature.

EXAMINERS' OPINION

The Examiners do not find any caselaw determining whether a plat must be approved by a local governmental authority before its submission to the Texas Railroad Commission in a Qualified Subdivision case. Hilcorp reads Statewide Rule 76(a)(4)(B) to indicate that a Qualified Subdivision plat must have been approved by the relevant local government authority, whether it be the city or

the county, prior to filing that plat with the Commission for approval under Statewide Rule 76. The relevant subsection states that a Qualified Subdivision is a tract of land “(B) that has been subdivided in a manner authorized by law by the surface owners for residential, commercial, or industrial use.” Hilcorp reads the words “that has been” as indicating the past tense, which is reasonable. However, this phrase is part of Statewide Rule 76 subsection (a) which is the definitions section. This subsection states what a Qualified Subdivision is, but does not tell us the order in which the requisites for Qualified Subdivision status must be completed. There is an argument that a Qualified Subdivision arises only when the requisites of Chapter 92 of the Texas Natural Resources Code (the statutory basis of Statewide Rule 76) have been met. In that view, approval of a proposed subdivision plat by the Commission is merely one of those requisites, and whether the proposed plat has been approved by or will be approved by a local governmental entity is of little consequence. The Qualified Subdivision does not take effect until all requisites of Chapter 92 of the Texas Natural Resources Code and Commission Statewide Rule 76 have been complied with.

Caselaw does indicate that construction of Statewide Rule 76 is within the discretion of the Commissioners so long as that interpretation is reasonable and consistent with the underlying statute’s meaning. “When, as here, a statutory scheme is subject to multiple interpretations, we must uphold the enforcing agency’s construction if it is reasonable and in harmony with the statute.” *First Am. Title Ins. Co.*, 258 S.W.3d at 632, quoted in *Railroad Commission of Texas v. Texas Citizens for a Safe Future and Clean Water*, 336 S.W. 3d 619 (2011), at 630. Until the language of Statewide Rule 76 is parsed and ruled upon by a court of competent jurisdiction, the examiners believe it is within the Commission’s discretion to consider a plat in a Qualified Subdivision case, whether or not that plat has been approved by a local government entity. The examiners also note that terms of Statewide Rule 76 and Texas Natural Resources Code Chapter 92 are self-policing, in that the protections offered under the rule and statute will terminate if the party seeking the protection does not complete the process, commence construction of roads or utilities, and sell a lot within the third anniversary of the date on which the Commission’s Order became final [see Statewide Rule 76(g)(1)-(2)].

Chapter 92, Texas Natural Resources Code, provides the statutory framework for Statewide Rule 76. The clear intent of the statute, expressed in §92.001, is to provide for the full and efficient utilization of the land resources of a rapidly growing state as well as the full and efficient development of the minerals resources of the state. In order to give effect to Chapter 92 of the Texas Natural Resources Code, the Commission hears applications for qualified subdivisions and takes evidence from both the applicant, representing the owners of the surface estate, and the protesting owners of the mineral estate, whether as possessory mineral interest owners or mineral lessors. Pursuant to Statewide Rule 76(d), “...the commission may approve, reject or amend the application to ensure that the mineral resources of the subdivision may be fully and effectively developed.” (emphasis added)

Hilcorp argues that it needs at least a five acre operations site within Ward-Brown’s proposed 37.255-acre qualified subdivision to accommodate future directional drilling in order to fully develop the Katy Gas Field Unit#2. According to Hilcorp Exhibit 11, Hilcorp would use the hypothetical five acre tract to directionally drill four wells that will bottom outside the boundaries of the 37.255-

acre Ward-Brown proposed qualified subdivision. However, Hilcorp has not shown that Ward-Brown is under any obligation to provide an operations site providing for development outside the boundaries of the proposed qualified subdivision.

Pursuant to Statewide Rule 76(d), the Commission's charge is to ensure that the mineral resources "...of the subdivision..." will be fully and effectively developed, not the mineral resources outside the boundaries of the qualified subdivision. Ward-Brown is under no obligation to provide Hilcorp with a five acre operations site which will be used to drill several directional wells that bottom outside the boundaries of the subdivision. Development of the surrounding acreage will depend on Hilcorp's use of its existing operations sites or its ability to negotiate with the owners of the surrounding acreage for additional operations sites.

While Ward-Brown has no obligation to provide operations sites that will provide for development of mineral resources outside the subdivision, Ward-Brown does have an obligation to provide an operations site sufficient to develop the mineral resources within the boundaries of its subdivision. In its direct case, Ward-Brown presented testimony that a two-acre operations site would afford Hilcorp sufficient room to re-enter and deepen the existing KGFU#2 Well No. W-52. Ward-Brown apparently assumed that access to the deeper Wilcox sands between 10,000 and 15,800 feet could be achieved by reworking the existing KGFU#2 Well No. 52. Ward-Brown did not address the possibility that reworking Well No. 52 might be ineffective for developing the deeper Wilcox sands.

Hilcorp's evidence indicated that the footprint for a rig capable of drilling a new well in the deep Wilcox to approximately 15,000 feet would be 2.07 acres, only marginally larger than the 2 acre operations site provided by Ward-Brown. However, Hilcorp's evidence also showed that an attempt to deepen the existing Well No. 52 would be mechanically risky in that a 5 inch liner has already been placed in the Wilcox in that well. The five inch liner has been perforated and fracked in at least two places. Drilling through the existing liner in Well No. 52 would require a small drill bit, and even smaller tubing. The smaller tubing would restrict Hilcorp's ability to frack the deep Wilcox sands.

The Examiners believe the mineral resources of the subdivision can only be fully developed by use of the existing Well No. 52 plus an additional well drilled to the deep Wilcox between 10,000 and 15,800 feet. Protestant Hilcorp has indicated the mineral resources of the subdivision could be developed by continuing to operate the relatively shallow Well No. 52 and then using a Helmerich & Payne FlexRig3 to access the deep Wilcox. Safe drilling practice would require an 80 foot spacing between the existing Well No. 52 and a new drill. The additional 80 feet would increase the required acreage from 2.07 to approximately 2.5 acres.

More specifically, Hilcorp has testified that it needs an operations site 360 by 250 feet, plus an additional 80 feet for a between-well distance required by safety considerations. Full development of the mineral resources beneath the Ward-Brown qualified subdivision thus requires an operations site 440 feet by 250 feet. This results in a total footprint of 110,000 square feet, which is 2.52 acres. The result is very close to the 2.5 acres that Hilcorp's expert witness Mr. Amalfi

suggested. Compared to the 2-acre operations site offered by Ward-Brown, the operations site tract necessary for full mineral development as testified to by Hilcorp's witnesses is one-half acre larger, but is narrower and significantly more elongate.

The evidence presented in hearing indicates that Ward-Brown's 2-acre operations site is insufficient to fully develop the mineral resources beneath the proposed 37.255-acre qualified subdivision. The Examiners recommend that Ward-Brown's application for approval of a 37.255-acre qualified subdivision be denied.

Based on the record in this docket, the Examiners recommend adoption of the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. At least ten (10) days notice of this hearing was provided to all affected persons, including the protestant and all owners of possessory mineral interest owners in the acreage covered by the proposed qualified subdivision.
2. Pursuant to Chapter 92 of the Texas Natural Resources Code and Statewide Rule 76, Ward-Brown Partners LLC ("Ward-Brown") requests in this docket that the Commission approve a 37.255-acre qualified subdivision. A plat of the subdivision is attached as Exhibit I and incorporated herein by reference.
3. The Ward-Brown application is opposed by Hilcorp Energy Company ("Hilcorp"), which is the lessee of the mineral estate and operator of the 20,550-acre Katy Gas Field Unit #2 ("KGFU#2"). The proposed Ward-Brown qualified subdivision is located in the south of the KGFU#2 and on the frontage road of IH 10.
4. The proposed Ward-Brown qualified subdivision contains 37.255 acres of land, less than 640 acres.
5. Fort Bend County, Texas, is a county having a population of more than 400,000. The actual population of the county in 2010 was 585,375 and the current census estimate for the county is 652,365.
6. Ward-Brown is the owner of the surface estate of the acreage within the proposed qualified subdivision.
7. Ward-Brown's plat of the proposed 37.255-acre qualified subdivision contains an operations site with a surface area of two acres within the subdivision for the exploration, development, and production of minerals and contains provisions for road and pipeline easements to allow use of the operations site.
8. Within 2.5 miles of the proposed subdivision, Ward-Brown found 124 wells that had been

drilled. Of the 124 wells, 30 remain active producers. Two wells are located on the proposed subdivision. The J.A. Bartlett Well No. 2 was operated by Apache and is currently plugged. The KGFU#2 Well No. 52 is actively producing from the Katy (Wilcox Cons.) Field at 10,300 feet and is operated by Hilcorp.

- (a) Of the 30 active producers, 26 are in the Katy (Wilcox Cons.) Field.
 - (b) The Katy (Wilcox Cons.) Field is being actively developed with recompletions.
9. Within a 2.5 mile radius of review from the proposed subdivision, wells have produced from sixteen fields: Chocolate Bayou (Ho. Fms. Up.) Field, Katy (Combined) Field, Katy (First Wilcox) Field, Katy (I-A) Field, Katy (I-B) Field, Katy (I-C) Field, Katy (II-A-L) Field, Katy (II-A U) Field, Katy (II-B) Field, Katy (II-C) Field, Katy (III-A) Field, Katy (IV) Field, Katy (V) Field, Katy (Wilcox 10,200 Seg. 4) Field, Katy (Wilcox Cons.) Field and the Liberty, South Field.
10. The log of the Katy Gas Field Unit #1, Well No. 46 demonstrates that there are prospective Wilcox sands from 10,000 feet down to 15,800 feet. The well is located 8,000 feet west-northwest of the Ward-Brown proposed subdivision.
11. A test conducted in 1969 by Exxon on the KGFU#2 Well No. 31, about 3.4 miles northwest of the proposed qualified subdivision, indicates that some of the Wilcox sands, down to 15,800 feet, might be productive.
12. Recompletion of the existing KGFU#2 Well No. 52 would involve mechanical risk and limit Hilcorp's efforts to successfully frack the deep Wilcox.
 - (a) The existing Well No. 52 has a five inch liner in place which has been perforated and fracked through in at least two places.
 - (b) Re-entry in Well No. 52, with its existing liner, would require a smaller bit and smaller tubulars. This, in turn, would limit Hilcorp's ability to conduct fracking operations.
13. The 2-acre operations site proposed by Ward-Brown would be sufficient to accommodate a larger drilling rig, such as a Helmerich & Payne Flex3 drilling rig, to drill a new well to the deep Wilcox sands.
14. The existence of Well No. 52 on the 2-acre operations site complicates the drilling of a new well.
 - (a) Well No. 52 is currently producing and will remain in production on the Ward-Brown 2-acre operations site.

- (b) Drilling a new well to the deep Wilcox between 10,000 feet and 15,800 feet would require an 80 foot setback of the drilling rig from the existing Well No. 52 for safety reasons.
 - (c) The footprint for the drilling rig would be 360 feet by 250 feet. The addition of the 80 foot safety setback would require an operations site 440 feet by 250 feet, which is approximately 2.5 acres.
15. Full development of the mineral estate beneath the 37.255 Ward-Brown proposed qualified subdivision must accommodate the existing Well No. 52 and a future well drilled to the deeper Wilcox sands between 10,000 feet and 15,800 feet, which would require an operations site 440 feet by 250 feet, or roughly 2.5 acres, plus access easements.
16. The 2-acre operations site offered by Ward-Brown for its 37.255-acre proposed qualified subdivision is insufficient to ensure that the mineral resources of the proposed qualified subdivision are fully and effectively exploited and developed.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this docket have been performed or have occurred.
3. The application of Ward-Brown Partners, LLC for approval of a 37.255-acre qualified subdivision does not meet or comply with all requirements for approval under Chapter 92 of the Texas Natural Resources Code or Railroad Commission Statewide Rule 76 [Tex. R.R. Comm'n, 16 TEX. ADMIN. Code §3.76] because it does not ensure that the mineral resources of the subdivision may be fully and effectively developed.

RECOMMENDATION

The Examiners recommend that the application of Ward-Brown Partners, LLC be denied.

Respectfully submitted,



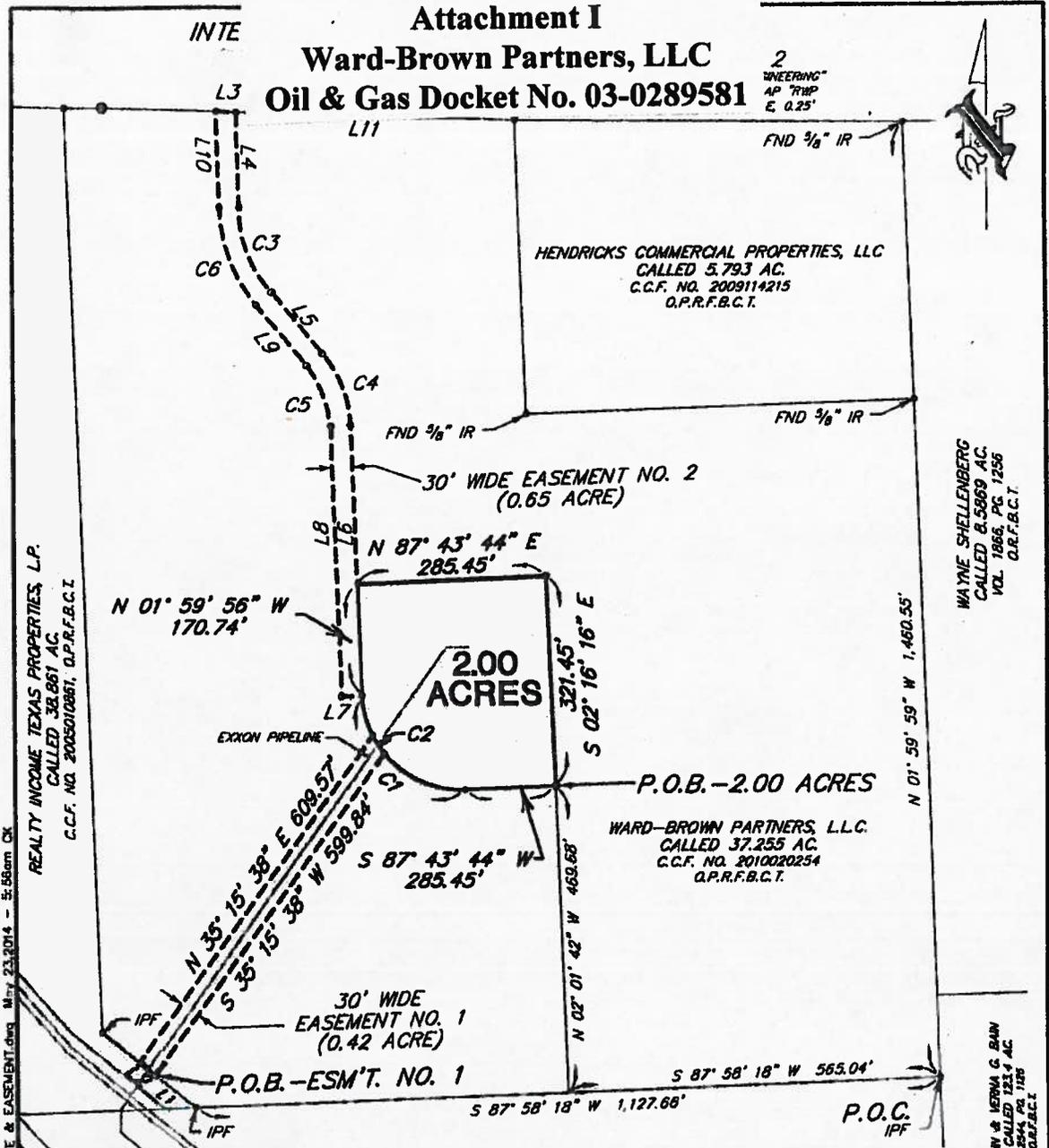
Marshall Enquist
Hearings Examiner



Karl Caldwell
Technical Examiner

Attachment I
Ward-Brown Partners, LLC
Oil & Gas Docket No. 03-0289581

2
 "ENGINEERING"
 AP "TRIP"
 E. 0.25"



REALTY INCOME TEXAS PROPERTIES, L.P.
 CALLED 38.861 AC.
 C.C.F. NO. 2005010861, O.P.R.F.B.C.I.

HENDRICKS COMMERCIAL PROPERTIES, LLC
 CALLED 5.793 AC.
 C.C.F. NO. 2009114215
 O.P.R.F.B.C.I.

WAYNE SHELLENBERG
 CALLED 8.5869 AC.
 VOL. 1866, PG. 1256
 O.P.R.F.B.C.I.

WARD-BROWN PARTNERS, L.L.C.
 CALLED 37.255 AC.
 C.C.F. NO. 2010020254
 O.P.R.F.B.C.I.

McALISTER OPPORTUNITY FUND 2012, L.P.
 CALLED 208.44 AC.
 C.C.F. NO. 2012135845
 O.P.R.F.B.C.I.

JERRY RAY & KERIA G. RAY
 RESUME CALLED 123.4 AC.
 VOL. 2844, PG. 128
 O.P.R.F.B.C.I.

| LINE | BEARING | DISTANCE |
|------|---------------|----------|
| L1 | N 30°13'39" W | 77.82' |
| L2 | N 50°13'32" W | 30.10' |
| L3 | S 87°50'02" E | 30.07' |
| L4 | S 01°48'02" E | 144.20' |
| L5 | S 38°37'54" E | 120.03' |
| L6 | S 01°59'50" E | 413.68' |
| L7 | S 88°00'04" W | 30.00' |
| L8 | N 01°59'56" W | 414.96' |
| L9 | N 38°37'54" W | 118.85' |
| L10 | N 01°48'02" W | 143.42' |
| L11 | N 87°59'02" W | 418.39' |

| CURVE | DELTA | RADIUS | ARC LENGTH | CHORD BEARING | CHORD LENGTH |
|-------|------------|---------|------------|---------------|--------------|
| C1 | 90°16'20" | 150.00' | 238.33' | N 47°08'08" W | 212.64' |
| C2 | 128°34'42" | 150.00' | 32.45' | S 32°36'15" E | 32.36' |
| C3 | 43°22'39" | 183.00' | 104.03' | S 20°02'21" E | 136.73' |
| C4 | 31°34'14" | 213.00' | 118.59' | S 20°26'53" E | 112.00' |
| C5 | 31°11'26" | 183.00' | 102.71' | N 20°26'53" W | 98.42' |
| C6 | 42°55'07" | 213.00' | 161.05' | N 20°21'28" W | 152.31' |

LEGEND

These standard symbols will be found in the drawing.

IPF - FND 1/2" IP W/CAP
 "KALKOMEY SURVEYING"

GENERAL NOTES:

- Bearings are based upon the Texas Coordinate System, South Central Zone, NAD83, based upon GPS observations of NGS triangulation station "Brookshire".
- For reference and further description, see notes and bounds description, job number R8000-0287-02, prepared by Charlie Kalkomey Surveying, Inc. on same date.

SCALE: 1" = 200'

KEY MAP: 483 "D" & "H" SURVEYOR-C.D.K./DRAFTSMAN-B.

EXHIBIT
 OF A
2.00 ACRE DRILL SITE
 AND TWO
30' WIDE STRIPS OF LAND
 OUT OF THE
THOMAS CRESAP SURVEY, ABSTRACT 369
 FORT BEND COUNTY, TEXAS
 OCTOBER 2013

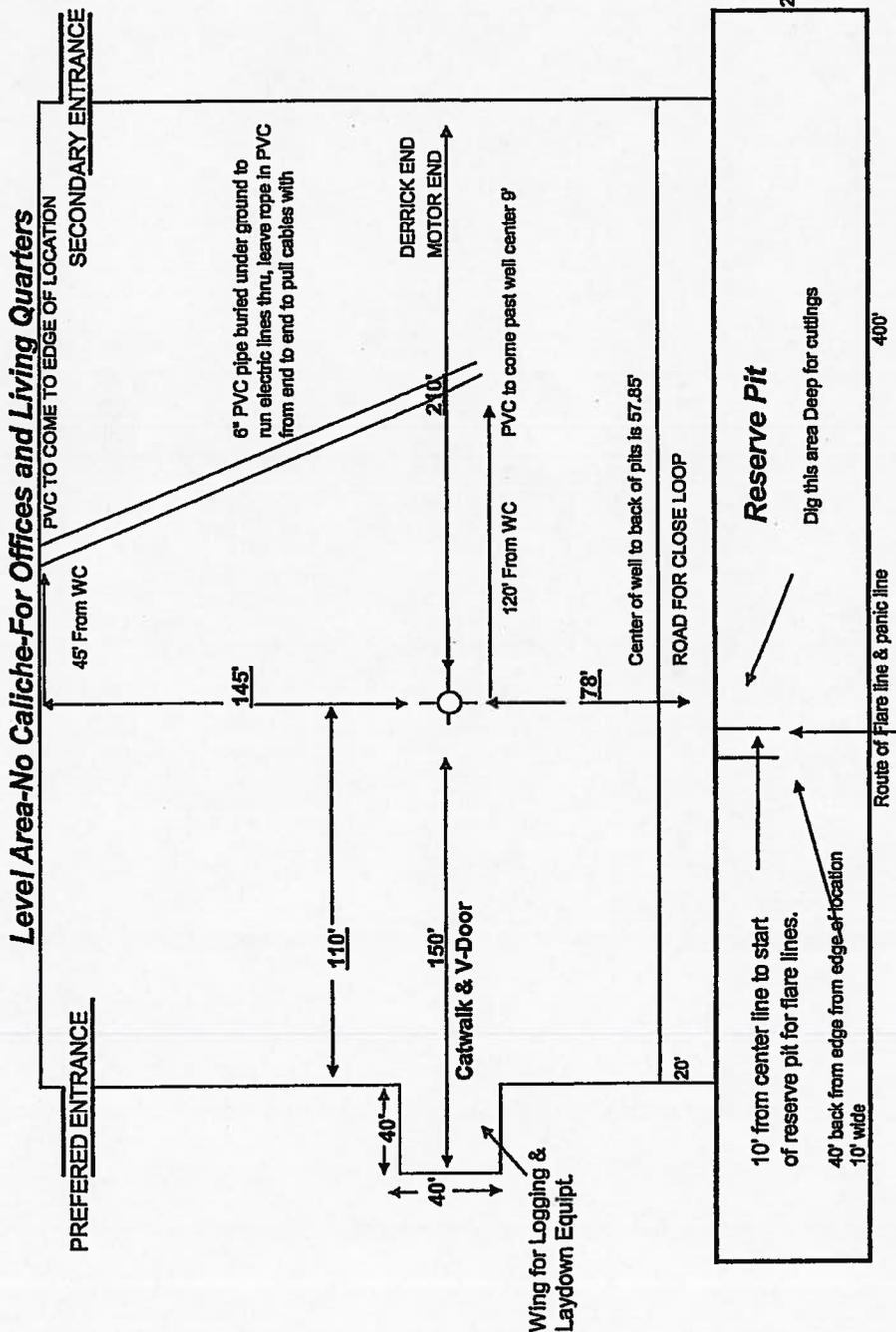


Exhibit No.: 1
 Operator: Ward-Brown Partners, LLC
 Docket No.: 03-0289581
 Date: August 13, 2014

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Attachment II
Ward-Brown Partners, LLC
Oil & Gas Docket No. 03-0289581

FlexRig3 Recommended Location Plat
 Helmerich Payne IDC
 Rigs 210 - 235
 5/20/02 - Austin Harrison



Notes for Rotating Mouse hole for a FlexRig3 & 25' Substructure:

- 1) 70' of mouse hole below ground level
- 2) if conductor pipe is less than 85' below ground level, recommend cement mouse hole in place in order to prevent break thru & circulation / washout thru mouse hole.
- 3) Use 14" (mini. Nominal size) pipe. This can be spiral weld or low pressure pipe, 12" is used in some applications but due to inaccuracies in location of mouse hole & potential out of alignment or centered in hole, 14" pipe recommended.
- 4) Cement mouse hole in 16" or 13 1/2" hole.
- 5) Celler will need to be oblong in order to accommodate mouse hole (i.e. 5' x 10', 6' x 10',)
 Operator decision, 10' diameter cellars recommended

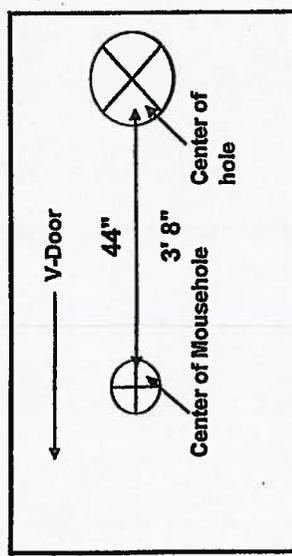


Exhibit No. 12
 Hilcorp Energy Company
 Docket 03-0289581
 August 13, 2014